

## Procedures for Action against Broker (Participant) and Dissemination of Information

The procedure elaborates the role of CDC in the event of action initiated against the Broker – Participant. This has been made with reference to Joint Procedure which was mutually agreed by SECP, CDC, Stock Exchanges and NCCPL.

### **1. Incase of suspension / expulsion / default of membership by a Stock Exchange or the Competent Authority:**

CDC, upon receipt of notice from a Stock Exchange or a competent authority, shall take the following actions:

1.1 Issue a notice and Suspend or Terminate the Participant. The status in CDS will reflect as “suspended or “terminated” as the case maybe.

1.2 Immediately upon suspension or termination, CDC on the basis of **Member UIN** as available in CDS record, will block account(s) that exists in the name of member (as a title holder) with another Participant / IAS. CDC will also give intimation of the fact in writing to such other Participant in case of sub-account(s), and/or to that suspended/terminated Participant in case of IAS account(s). (*Ref. Notes*).

### **2. Incase of restriction of Trading Terminals by a Stock Exchange:**

Upon receipt of such notice, CDC will issue a notice of restriction to the Participant on the basis of which the status in CDS will reflect as “Restricted”. (*Ref. Notes*)

### **3. In case of switching off of complete Trading Terminals/Suspension of Trading Rights of a Member:**

Upon receipt of such notice regarding switching off of Member’s Trading Terminals by a Stock Exchange due to any reason, CDC will issue a notice of Restriction to the Participant on the basis of which the status in CDS will reflect as “Restricted”. (*Ref. Notes*)

### **4. In case of switching off of Trading Terminals by the Exchange on Member’s request:**

Upon receipt of such a notice from a Stock Exchange, CDC will give 60 Business Days notice to such Participant to intimate all its sub-account holders to transfer out securities and / or close sub-accounts (if required) within such time.

Furthermore, CDC will impose Restriction on the admission of such Participant to the CDS where the Participant will only be authorized to transfer out securities from its Account Family including Sub-Accounts so as to facilitate transfer of holding balances by sub-account holders.

During this period, no other transactions such as delivery-in, deposit and withdrawal request, new pledge transactions, opening of new sub-accounts etc. shall be allowed.

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However, all delivery-in relating to corporate actions, subscriptions & redemptions shall be allowed for all accounts and sub-accounts maintained by such Participant.

After expiry of above said notice period, CDC will issue a notice and Suspend the Participant and the status in CDS will reflect as “Suspended”. (*Ref. Notes*)

**5. In case of opening of a new Participant Account by Member in CDS:**

CDC, at the time of inducting the Participant, will restrict all the authorities (the status in CDS will reflect as “Blocked”) until such time the member obtains Clearing Member (CM) status with NCCPL and registers with the SECP as Broker under the Brokers and Agents (Registration) Rules, 2001.

The aforementioned restrictions will be removed by CDC once the Participant submits a valid Broker Registration Certificate and Clearing Member notice to CDC.

However, where Participant is inducted into CDS due to ‘Corporatization’ or ‘Transfer of Stock Exchange membership in the name of its wholly owned subsidiary’, (*Ref Notes*), CDC will restrict all the authorities with the exception of sub-account opening transaction. The status of such Participant in CDS will reflect as “Blocked”.

**6. In case of suspension, cancellation or refusal by the SECP to renew the registration or failure by the member to apply for renewal till the date of expiry of the broker registration:**

Upon receipt of such notice / information from a Stock Exchange, CDC will issue a notice of Restriction to the Participant . For handling of securities in the House Account, the Participant will have to move its holding to another Sub-Account, IAS Account or Account Holder Account (in the name of the Participant) as the case may be. (*Ref. Notes*).

Further, for movement of securities to the new “Account Holder ID”, all induction related formalities need to be completed. However, in case of removal of restriction; existing (original) Participant ID will be restored.

**Notes:**

- Provisions of “Procedure for Handling, Restriction, Suspension & Termination of Account Holder Account” Account Holders shall also apply (to the extent applicable) with respect to actions taken under these Procedures.
- Upon receiving of information of restoration / reversal of any action taken by Exchange, CDC will issue notice of restoration to Participant. Based on which access of the Participant will be restored into CDS.
- For the purpose of points no 1, 2, 3, 4 & 6, the sub-account holders will be allowed only to transfer out their respective securities in accordance with the Procedures for Change of Controlling Account Holder (available at [www.cdcpakistan.com](http://www.cdcpakistan.com)) being followed in the case of suspension / termination of a participant from admission to the CDS.



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- For the purpose of points no 2, 3, 4 & 6, Participant will have to request CDC for movement of securities held in his house account in available status which will be facilitated by CDC in a controlled environment.
  - The status of Participant in CDS shall remain suspended till the time any further instructions are received from the concerned Stock Exchange or the Competent Authority.
  - Pending settlement (trades) of the Participant, if any will be handled through the Procedure of Pending Settlement.
  - Corporatization include; corporatization of Individual Stock Exchange (SE) Membership.
  - Action that is required to be taken by CDC under Points 1 will also be applicable where Suspension or Termination of the Broker Participant is done by the CDC on account of non-compliance of the CDC Regulations.

**Intimation / Information**

- CDC shall intimate regarding Suspension / Restriction / Termination of Participant to sub account holders through SMS & emails (if subscribed by the sub account holder)
- CDC shall inform immediately about Termination of Participant through letter to sub account holders
- CDC shall also inform regarding Suspension / Restriction of Participant through letter after 30 days of the notice to the sub account holders.